

Docket	:	<u>A.12-02-013</u>
Exhibit Number	:	<u>DRA-02</u>
Commissioner	:	<u>Sandoval</u>
ALJ	:	<u>Wilson</u>
Witness	:	<u>Donna Fay Bower</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Bear Valley Electric Service Division
General Rate Case
Test Year 2013**

Summary of Earnings

San Francisco, California
July 27, 2012

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1 **SOUTHERN CALIFORNIA GAS COMPANY**
2 **SUMMARY OF EARNINGS**

3 **I. INTRODUCTION**

4 This exhibit presents the Division of Ratepayer Advocates' (DRA) Summary
5 of Earnings at present and proposed rates for the Bear Valley Electric Service
6 Division (BVES) for Test Year (TY) 2013, and the years 2014, 2015, and 2016.
7 Revenue requirements are calculated by the computer model developed for BVES
8 and is referred to as the Results of Operations (RO) model. Data are provided by the
9 various witnesses and are entered in the RO model to determine the revenue
10 requirements.

11 A comparison of BVES' and DRA's Test Year 2013 Summary of Overall
12 Revenue is shown on Table 2A. A comparison of BVES' and DRA's Test Year 2013
13 System Average Rate Changed Proposed is shown on Table 2B. A comparison of
14 BVES' and DRA's Rate Request Components is shown on Table 2C. A comparison
15 of BVES' and DRA's Summary of Earnings at Present and Proposed rates is shown
16 on Table 2D. A comparison of BVES' and DRA's Operating Expenses is shown on
17 Table 2E.

18 **II. SUMMARY OF RECOMMENDATIONS**

19 DRA recommends that the Commission adopt DRA's revenue, expenses, and
20 rate base estimates shown in Tables 2-A, 2-B, 2-C, 2-D, and 2-E, which supports
21 DRA's recommended Test Year 2013 revenue requirement decrease for the BVES.
22 DRA presents these tables in order to compare its estimates to those of BVES in a
23 manner consistent with that presented by BVES in its application. DRA expresses
24 its proposal in a manner different than BVES as described in Exhibit DRA-01.

25 DRA also recommends that, for its next General Rate Case (GRC), BVES
26 develop a Results of Operation (RO) Model that is user friendly and encompasses
27 all components of a RO in one file instead of six separate files.

III. DISCUSSION / ANALYSIS

The differences between DRA and BVES shown in the Summary of Earnings table are discussed in other DRA exhibits addressing this application. For the discussion regarding differences between DRA and BVES in revenues, refer to Exhibit DRA-03. For the discussion regarding differences between DRA and BVES in operation and maintenance expenses, refer to Exhibit DRA-04. For the discussion regarding differences between DRA and BVES in administrative and general expenses, refer to Exhibit DRA-05. For the discussion regarding differences between DRA and BVES in depreciation expense and reserve, refer to Exhibit DRA-06. For the discussion regarding differences between DRA and BVES in plant and rate base, refer to Exhibits DRA-08 and DRA-09, respectively. For the discussion regarding differences between DRA and BVES in Special Requests & Supply Costs, refer to Exhibit DRA-11. For the discussion regarding differences between DRA and BVES in Cost of Capital, refer to Exhibit DRA-12.

Table 2A
Summary of Overall Revenue Test Year 2013

Line No.	Components of 2013 Revenue Proposal	BVES	DRA	BVES>DRA
1	Total Revenues Other Than Base Rate Revenue	\$ 22.29	\$22.29	\$ (0.00)
2	Present Total Base Rate Revenues (excl Base Adj Revenue)	\$ 18.40	\$18.40	\$ 0.00
3	Total Present Revenue (incl OOR, Base Adj, & Surcharges)	\$ 40.69	\$ 40.69	\$ (0.00)
4	Shortfall Needed to Recover Authorized GO Allocation	\$ 1.64	\$ 1.64	\$ (0.00)
5	Shortfall in Revenue Due From Reduced Sales vs. 2009 Settlement Forecast	\$ 1.05	\$ 1.05	\$ (0.00)
6	2012 Authorized Revenue Requirement	\$ 21.09	\$ 21.09	\$ (0.00)
7	Proposed Increase to Reach Proposed 2013 Revenue Requirement	\$ 1.32	\$ (2.95)	\$ 4.27
8	Proposed Revenue Requirement	\$ 22.41	\$ 18.15	\$ 4.26
9	Total Proposed Revenue Increase	\$ 4.01	\$ (0.25)	\$ 4.26
10	Total Proposed Electric Revenue (inc OOR, Base Adj & Surcharges)	\$ 44.70	\$ 40.44	\$ 4.26
11	Overall Proposed Revenue Increase Percent	9.85%	-0.62%	

Table 2B
System Average Rate Change Proposed Test Year 2013

Line No.	Electric Sales Rates	BVES		DRA	
		Present Rate Revenues	Present SAR \$/kWh	Present Rate Revenues	Present SAR \$/kWh
1	Total Base Electric Rate Revenue	\$ 19,772,663	\$ 0.141836	\$19,772,663	\$0.141836
2	Total Supply Rate Revenue	\$ 17,279,600	\$ 0.124082	\$17,297,600	\$0.124082
3	Surcharge Revenue	\$ 3,387,538	\$ 0.024300	\$3,387,538	\$0.024300
4	Present Electric Sales Rates Revenue	\$ 40,439,801	\$ 0.290218	\$40,457,801	\$0.290218
5	Total Proposed Increase in Revenue	\$ 4,099,190	\$ 0.028765	(\$224,714)	(\$0.001612)
6	Offset from SER	\$ (720,080)	\$ (0.005165)	\$0	\$0.000000
7	Offset from S & OOR Increase	\$ (137,488)	\$ (0.000986)	(\$137,488)	(\$0.000986)
8	New Proposed Increase to SAR	\$ 3,241,622	\$ 0.022613	(\$362,202)	(\$0.002598)
9	Proposed Total SAR	\$ 43,681,423	\$ 0.312831	\$40,095,599	\$0.287620
10	Increase to the Average Electric Rate		7.79%		-0.90%

Table 2C
Rate Request Components

Line No.	Components	BVES	DRA	BVES>DRA
1	2012 Base Revenue Requirement - Authorized by The Commission in the 2009 GRC*	\$ 21,094.1	\$21,094.1	\$ 0.00
2	2013 O&M Over Authorized 2012	\$ 88.0	(\$794.3)	\$ 882.31
3	2013 Administrative & General Increase Over Authorized	\$ (44.3)	(\$1,042.5)	\$ 998.24
4	2013 Special Request Increase in EE and Solar Over Authorized	\$ 72.3	(\$28.1)	\$ 100.41
5	2013 Miscellaneous (FF&U and Payroll taxes)	\$ (163.9)	(\$242.8)	\$ 78.89
6	2013 Ownership Cost Increase Over Authorized	\$ 1,362.0	(\$812.7)	\$ 2,174.66
7	2013 Base Revenue Requirement - Requested in This Application	\$ 22,408.2	\$18,173.7	\$ 4,234.52

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Table 2D
Summary of Earnings Comparison

Line No.	Description	BVES 2013 TY Current Rates	BVES 2013 TY Proposed	DRA 2013 TY Proposed Rates	BVES>DRA	Percentage
		a	b	c	d=b-c	e=d/c
1	Customers	23,158.0	23,158.0	23,158.0	-	0.0%
2	Sales (MWh)	139,404.0	139,404.9	139,404.9	0.0	0.0%
3	REVENUE				-	
4	Total Base Rates Electric Revenue	\$ 18,163.9	\$ 18,163.9	\$18,163.9	(0.0)	0.0%
5	Total Base Rate OOR	\$ 234.5	\$ 234.5	\$234.5	0.0	0.0%
6	Proposed Increase in Revenue	\$ -	\$ 4,009.9	(\$250.3)	4,260.2	(1,702.0%)
7	Total Supply Rate Revenue	\$ 17,297.6	\$ 17,297.6	\$17,297.6	0.0	0.0%
8	Sub-Total Revenue	\$ 35,696.0	\$ 39,705.9	\$ 35,445.7	4,260.2	12.0%
9	Surcharge Revenue (incl. Base Adj.)	\$ 4,996.3	\$ 4,996.3	\$4,996.3	0.0	0.0%
10	Total Revenue	\$ 40,692.3	\$ 44,702.2	\$ 40,442.0	4,260.2	10.5%
11	Operating Expenses					
12	Net Supply Expenses & Provisions	\$ 17,297.6	\$ 17,297.6	\$ 17,297.6	0.0	0.0%
13	Total O&M Expenses	\$ 3,596.3	\$ 3,596.3	\$ 2,713.9	882.4	32.5%
14	Uncollectibles	\$ 99.2	\$ 116.6	\$ 75.6	41.0	54.2%
15	Energy Efficiency	\$ 230.0	\$ 230.0	\$ 176.1	53.9	30.6%
16	Solar Program (AMR in 2012)	\$ 183.0	\$ 183.0	\$ 136.5	46.5	34.1%
17	Total A&G	\$ 9,160.7	\$ 9,160.7	\$ 8,162.4	998.3	12.2%
18	Total Operating Expenses	\$ 30,566.8	\$ 30,584.2	\$ 28,562.1	2,022.1	7.1%
19	Depreciation	\$ 1,811.5	\$ 1,811.5	\$ 1,813.2	(1.7)	(0.1%)
20	Total Taxes Other	\$ 790.2	\$ 826.4	\$ 788.1	38.3	4.9%
21	Total Income Taxes	\$ 501.1	\$ 2,235.6	\$ 1,340.0	895.6	66.8%
22	Net Income	\$ 2,026.3	\$ 4,248.2	\$ 2,942.3	1,305.9	44.4%
23	Revenue Requirement	\$ -	\$ 22,408.3	\$ 18,148.1	4,260.2	23.5%
24	Average Rate Base	\$ 43,305.1	\$ 43,305.1	\$ 35,579.0	7,726.1	21.7%
25	RATE OF RETURN - ROR	4.68%	9.81%	8.27%	1.54%	18.6%

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Table 2E
Summary of Operating Expenses

Line No.	Description	BVES	DRA	BVES>DRA	Percent BVES>DRA
	Operating Expenses	a	b	c=a-b	d=c/b
1	Operation & Maintenance Expenses				
2	Production	\$ 497,654	\$ 493,748	\$ 3,906	0.79%
3	Transmission	\$ 136,825	\$ 86,014	\$ 50,811	59.07%
4	Distribution	\$ 2,177,621	\$ 1,523,600	\$ 654,021	42.93%
5	Customer Accounting	\$ 784,152	\$ 610,566	\$ 173,586	28.43%
6	Total Operation and Maintenance	\$ 3,596,252	\$ 2,713,927	\$ 882,325	32.51%
7	EE Program	\$ 230,005	\$ 176,072	\$ 53,933	30.63%
8	Solar Program	\$ 183,000	\$ 136,500	\$ 46,500	34.07%
9	Supply Expenses & Provisions	\$ 17,297,600	\$ 17,297,600	\$ -	0.00%
10	Administrative and General Expenses				
11	Account 920 Salaries	\$ 1,380,449	\$ 1,141,238	\$ 239,211	20.96%
12	Account 921 Office Supplies	\$ 342,912	\$ 243,579	\$ 99,333	40.78%
13	Account 923 Outside Services	\$ 1,019,077	\$ 1,019,077	\$ (0)	0.00%
14	Account 924 Insurance (Included in GO Allocation)	\$ -	\$ -	\$ -	
15	Account 925 Injuries & Damages	\$ 205,723	\$ 205,723	\$ 0	0.00%
16	Account 926 Pensions & Benefits	\$ 2,072,227	\$ 1,705,250	\$ 366,977	21.52%
17	Account 928 Regulatory Expenses	\$ 585,500	\$ 292,756	\$ 292,744	100.00%
18	All Other BVES A&G Accounts	\$ 25,009	\$ 25,009	\$ 0	0.00%
19	Total Administrative and General Expenses	\$ 5,630,897	\$ 4,632,632	\$ 998,265	21.55%
20	GO Allocation	\$ 3,529,769	\$ 3,529,769	\$ (0)	0.00%
21	Total A&G (Including GO Allocation)	\$ 9,160,666	\$ 8,162,401	\$ 998,265	12.23%
22	Uncollectibles	\$ 116,638	\$ 75,637	\$ 41,001	54.21%
23	Total Operating Expenses	\$ 30,584,160	\$ 28,562,136	\$ 2,022,024	7.08%

IV. BEAR VALLEY'S RESULTS OF OPERATIONS (RO) MODEL

BVES' RO, Master RO Model 2013 GRC, contained approximately 40 plus spreadsheets. In addition to the Master RO Model, BVES had several external models--the PPAC Model, Resource Supply Model, Revenue Model & Sales Forecast Model, Depreciation Remaining Life Model, Cap Additions Model, and O&M Forecast Model—that were copied and pasted into Master RO Model spreadsheets. Any changes or corrections made in these separate models then had to be copied into the "Master Model," which created numerous problems in several of the spreadsheets within the Master Model that depended on numbers from various outside models.

1 DRA had to establish dynamic links from one spreadsheet into another in
2 order to facilitate changes in the Master RO Model. On occasion this resulted in
3 losing values in specific cells and DRA had to search various cells to locate the
4 original source of a given number in order to make a correction in the Master RO
5 Model.

6 For BVES' next GRC, DRA recommends that BVES develop an RO Model
7 that incorporates all components into one Model, includes the appropriate dynamic
8 linkages, and that is user friendly. The RO Model should be similar to the ones used
9 by the other utilities under the Commission's jurisdiction.